



United States
Department of
Agriculture

Rural
Development

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Office of the State Director

May 23, 2002

Mr. Ralph Eluska
Governor's Representative
Denali Commission
Chair, Committee on Insurance in Rural Alaska

Delivered via fax

RE: Charges to Committee – Scope of Work

Dear Ralph:

The purpose of this letter is to officially name you as chair of the Committee on Insurance in Rural Alaska and to identify issues that the committee needs to address.

After a review of concerns raised by attendees at our previous meetings on insurance in rural Alaska, the following are items that need to be considered by the committee:

- A. As a pilot project, select four communities ranging in population size from small to regional hub villages and perform an analysis of their insurance needs. Insurance requirements, the cost of both, and the willingness and ability of the communities to pay annual insurance premiums.

Communities recommended to you for selection are:

- 1) Buckland
- 2) Hooper Bay
- 3) Unalakleet
- 4) To be recommended by Mike Black, DCED

Select committee members that are representative of state and federal agencies and cooperatives with collateral interest in assets in rural Alaska. Recommended members include, but are not limited to, the following:

- 1) Alaska Energy Authority
- 2) Alaska Native Tribal Health Consortium
- 3) Denali Commission
- 4) USDA Rural Development
- 5) Alaska Housing Finance Corporation
- 6) Alaska Department of Community and Economic Development
- 7) Alaska Department of Environmental Conservation, Village Safe Water
- 8) Alaska Village Electric Cooperative

In addition, it is recommended that outside expertise is required for technical assistance. Those entities include, but are not limited to, the following:

- 1) AMERIND
- 2) An insurance company that is a reinsurer under the AMERIND Risk Pool concept
- 3) Alaska Municipal League Joint Insurance Association
- 4) Alaska Rural Electric Cooperative Association

Other items needing review to satisfy the insurance objective include, but are not limited to, the following:

- B. Comprehensive rate review comparison with communities that currently have insurance coverage, including quotes under the Risk Pool plan for coverage that communities are either required to have or should have.
- C. Cost to insure first dollar coverage (no deductible). This would apply to insured entities resources to pay the deductible in the event of a loss, probably the smaller communities. Can the deductible be insured?
- D. Will our proposed Risk Pool rates be less than, comparable to or more than the Alaska Municipal League /Joint Insurance Association plan? Is there a possibility of combining the proposed plan with the existing AML/JIA plan?
- E. Review the loss adjustment procedure proposed under the Risk Pool plan to determine adequacy for rural insured entities, timing of paying claims, etc.
- F. Discuss how notification to loss payee on a policy that is/has lapsing/lapsed. Collateral interest would not only be represented by a UCC 1 interest in chattel or lien on real estate but also by grantees on capital projects.
- G. Identify entities that would qualify under the Risk Pool plan for coverage.
- H. What coverage would be possible under the Risk Pool plan?

Ralph, the timeframe to complete the above scope is 180 days or December 1, 2002. However, that date is negotiable. If the Committee expands its scope or determines that the completion date is unreasonable, please notify me.

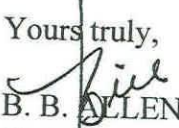
You may find that resources outside those addressed in this letter are needed to complete your work and funding will be required. Please notify me as soon as you realize that a budget will be required. Quite frankly, I anticipate that this may be necessary due to the complexity of the issues and the limited expertise of Committee members in this complex field.

Ralph, I cannot adequately express how very important this mission is to rural Alaska and I stand ready, along with our many other partners, to assist where needed.

Ralph Eluska
May 23, 2002

Good luck and thanks for becoming involved. Best personal regards.

Yours truly,


B. B. ALLEN
State Director

cc: Al Ewing
Michelle Anderson